

Message Text

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ACTION EUR-12

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SUBJ: VISIT TO POLAND BY AUSTRIAN VICE-CHANCELLOR AND FINANCE
MINISTER ANDROSCH: STAGNATION IN AUSTRIAN-POLISH TRADE

REF: 77 VIENNA A-313

1. SUMMARY. AUSTRIAN VICE-CHANCELLOR AND FINANCE MINISTER DR. HANNES ANDROSCH VISITED POLAND MAY 10-12. AUSTRIAN EMBASSY OFFICERS HAVE TOLD US THAT ECONOMIC DISCUSSIONS DOMINATED THE VISIT, BUT THAT NO NEW AGREEMENTS OR CREDITS WERE CONCLUDED. ANDROSCH EXPRESSED DISSATISFACTION OVER POLISH FAILURE TO MOVE FORWARD WITH NEW INVESTMENTS NEEDED TO REALIZE INDUSTRIAL COOPERATION PROJECTS PREVIOUSLY AGREED UPON. POLISH OFFICIALS ASKED FOR FURTHER EXTENSION OF CREDITS, BUT ANDROSCH INSISTED THAT THE EXISTING LINE OF 25 BILLION SCHILLINGS BE FULLY UTILIZED FIRST. ONE WESTERN EMBASSY SOURCE HAS TOLD US THE POLES SOUGHT AN UNTIED FINANCIAL CREDIT FROM AUSTRIA AND WERE TURNED DOWN. THE AUSTRIAN COMMERCIAL COUNSELOR HAS TOLD US THE POLES ASKED FOR INCREASES AND CHANGES IN THE COMPOSITION OF AUSTRIAN CREDIT LINES, BUT SAID THE GOP DID NOT REQUEST FINANCIAL CREDITS. END SUMMARY.

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2. ANDROSCH, WHO WAS ACCOMPANIED BY AUSTRIAN BUSINESSMEN AND GOVERNMENT EXPERTS, MET WITH PERMIER PIOTR JAROSIWEICZ; VICE PREMIER MIECZYSLAW JAGIELSKI; THE CHAIRMAN OF THE PLANNING COMMISSION TADEUSZ WRASZCZYK; MINISTER OF MACHINE INDUSTRY, ALEKSANDER KOPEC; AND MINISTER OF POWER AND NUCLEAR ENERGY, ANDRZEJ SZOZDA. HE ALSO VISITED A BROWN COAL MINE, A POWER STATION WHICH WAS BEING CONSTRUCTED NEARBY, AND A METALLURGICAL

COMBINE. DISCUSSIONS WERE HELD ON THE CURRENT STATE OF POLISH-AUSTRIAN TRADE RELATIONS, SCIENTIFIC AND TECHNICAL COOPERATION AND INDUSTRIAL COOPERATION, ACCORDING TO THE POLISH PRESS.

3. AUSTRIAN EMBASSY OFFICIALS HAVE TOLD US THAT ANDROSCH WAS INTERESTED IN INVIGORATING INDUSTRIAL COOPERATION AGREEMENTS WHICH AUSTRIAN AND POLISH FIRMS ENTERED INTO IN 1975 AND 1976. AUSTRIA HAS EXTENDED A NUMBER OF CREDITS TOTALLING 25 BILLION SCHILLINGS TO HELP FOSTER THESE PROJECTS AND AUSTRIAN EXPORTS IN GENERAL. POLAND HAS DRAWN DOWN ONLY 21 BILLION SCHILLINGS OF THE EXISTING CREDIT. THE REMAINDER OF THE CREDIT WAS PRINCIPALLY INTENDED TO SUPPORT AUSTRIAN EXPORTS OF EQUIPMENT FOR A NEW TRUCK PLANT AT STAROWICE, WHERE THE POLISH FIRM POLMOT IS TO PRODUCE MEDIUM-SIZE TRUCKS (UP TO 10 TONS) UNDER LICENSE FROM STEYER. POLAND HAS UNDERTAKEN VIRTUALLY NO INVESTMENTS TO LAUNCH THIS PROJECT, HOWEVER, AND NO SUPPORTING PURCHASES FROM AUSTRIA HAVE BEEN MADE. THE GOA WAS CONCERNED ABOUT THE DECLINE IN AUSTRIAN EXPORTS TO POLAND, WHICH WERE DOWN BY 10 PERCENT IN THE FIRST QUARTER OF 1978. POLISH STATISTICS SHOW THAT AUSTRIAN EXPORTS ALSO DECLINED BY 7 PERCENT IN 1977.

4. THE AUSTRIAN COMMERCIAL COUNSELOR SAID SEVERAL OTHER JOINT PROJECTS CONTEMPLATED WITH THE POLES WERE ALSO ON THE BACK BURNER DUE TO THE INVESTMENT SLOWDOWN IN POLAND. POLISH FIRMS HAVE COMPLETELY DRAWN DOWN CREDITS EXTENDED FOR STEEL, CHEMICALS, AND CONSUMER GOODS (VIENNA A-313 OF JULY 13, 1977).
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THESE CREDITS CALL FOR REPAYMENT OVER A FIVE-YEAR PERIOD, WHEREAS THE CREDITS FOR CAPITAL GOODS EXTEND FOR OVER TEN YEARS, AND IN SOME CASES UP TO 20 YEARS.

5. THE BIGGEST SURPRISE OF THE VISIT, ACCORDING TO THE COMMERCIAL COUNSELOR, WAS THE REQUEST PUT FORWARD BY PLANNING COMMISSION CHAIRMAN WRZASZCZYK FOR A SIZEABLE NEW CREDIT LINE "FOR DEVELOPMENT OF A COMPLEX TO COVER ALL PRODUCTION OF TRUCKS IN POLAND". WRZASZCZYK APPARENTLY MADE THIS PROPOSAL IN A GENERAL WAY AND DID NOT HAVE SPECIFIC PRODUCTION CAPACITIES OR INVESTMENT LEVELS IN MIND. WRZASZCZYK ALSO ASKED THAT THE CREDIT LINE NOT BE TIED TO SPECIFIC INDUSTRIAL COMMODITIES. ANDROSCH REPORTEDLY SAID THE 4 BILLION SCHILLINGS REMAINING IN THE AUSTRIAN CREDIT LINE SHOULD BE ENOUGH TO PUT THE STAROCHOWICE PLANT INTO PRODUCTION OF THE MEDIUM-SIZE TRUCKS AS AGREED WITH STEYER. THIS PROJECT SHOULD BE REALIZED BEFORE ANYTHING MORE AMBITIOUS IS DEVELOPED. THE COUNSELOR SAID THE GOA WOULD INSIST ON TIEING CREDITS TO SPECIFIC SECTORS WHERE AUSTRIAN EXPORTERS NEEDED ASSISTANCE.

6. WE ASKED WHETHER THE POLES HAS SOUGHT ANY "EASING" OF REPAYMENT TERMS FOR CREDITS ALREADY DRAWN DOWN OR ANY UNTIED FINANCIAL CREDITS. THE COMMERCIAL COUNSELOR SAID THAT SUCH REQUESTS

HAD NOT BEEN MADE. HE SAID THE GOP WOULD LIKE TO BE ABLE TO DRAW DOWN PART OF THE EXISTING CREDIT LINE TO COVER LOCAL INVESTMENT COSTS. THIS REQUEST WAS DENIED. THE AUSTRIAN CREDIT LINE ALREADY PROVIDES FOR LOCAL-COST FINANCING FOR UP TO 10 PERCENT OF THE VALUE OF CREDITS INVOLVING INVESTMENT PROJECTS, AND THE COUNSELOR SAID THE GOA WOULD STICK TO THIS APPROACH. HE SAID IT IS "FIRM AUSTRIAN POLICY" NOT TO GRANT FINANCIAL CREDITS AND NOT TO ACCEPT EASING OF REPAYMENT TERMS. "THE POLES MAY BE ABLE TO GET SOME FINANCIAL CREDITS FROM OUR PRIVATE BANKS, BUT CERTAINLY NOT FROM THE GOVERNMENT," HE SAID.

7. COMMENT: A SWEDISH EMBASSY OFFICER TOLD US ON MAY 22 THAT THE POLES HAD ASKED ANDROSCH FOR AN UNTIED FINANCIAL CREDIT OF ABOUT 2 BILLION SCHILLINGS. OUR SOURCE SAID THIS REQUEST WAS LIMITED OFFICIAL USE

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"COMMON KNOWLEDGE" IN VIENNA AND HAD BEEN MENTIONED IN THE AUSTRIAN PRESS. WE WOULD BE INTERESTED IN ANY ADDITIONAL INFORMATION WHICH EMBASSY VIENNA CAN CONTRIBUTE IN THIS REGARD. END COMMENT.

8. THE COUNSELOR ALSO SAID 10 BILLION SCHILLINGS OF THE EXISTING AUSTRIAN CREDIT LINE WERE TO BE REPAID THROUGH EXPORT OF ELECTRICITY FROM POLAND TO AUSTRIA OVER 1980-1990 (77 VIENNA A-313). IN RESPONSE TO OUR QUESTION, THE COUNSELOR SAID WE WOULD "HAVE TO WAIT AND SEE" WHETHER POLAND WOULD BE ABLE TO COMPLETE THE NECESSARY INVESTMENTS TO MAKE SUCH ELECTRICITY EXPORTS POSSIBLE. HE THOUGHT THAT THE MAJOR LIGNITE-FIRED PROJECT AT BELCHATOW WOULD BE COMPLETED ON SCHEDULE BUT WAS NOT SO SANGUINE ABOUT OTHER COMPLETION OF OTHER GENERATING PLANTS.
SCHAUFLE

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